



## SECTION II

### Serving Students as Customers

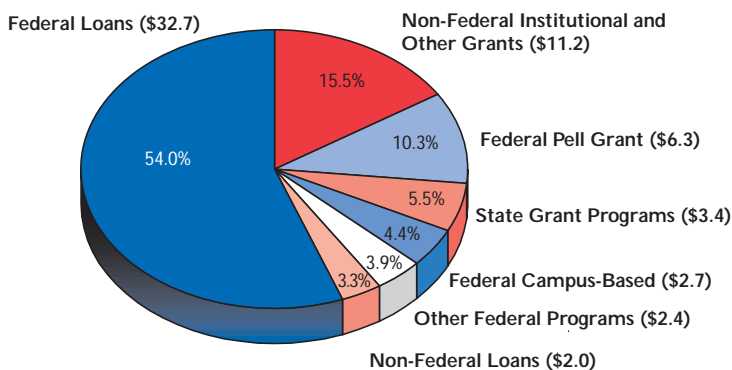
#### Background

Nowadays, everyone is a potential student, so, virtually everyone needs to know about financial aid and how to get it. But many Americans don't know. They know how to get a credit card or buy a car, but not how to finance their education. Some never get any information on federal education grants and loans because they don't know where to go for the information. Some don't get it in a language they understand, and some get the information but are confused by it. True, nine million Americans do manage to get federal aid each year. But every potential student who gives up on education because of lack of access to information about financial aid is an opportunity for us to do better. The best in business get their message across to potential customers by tailoring the message and the medium to specific customer segments.

Figure 3

OSFA administers programs that help nine million Americans each year.

**Estimated Student Aid by Source for Academic Year 1997-98**  
TOTAL AID AWARDED (\$60.5 Billion)

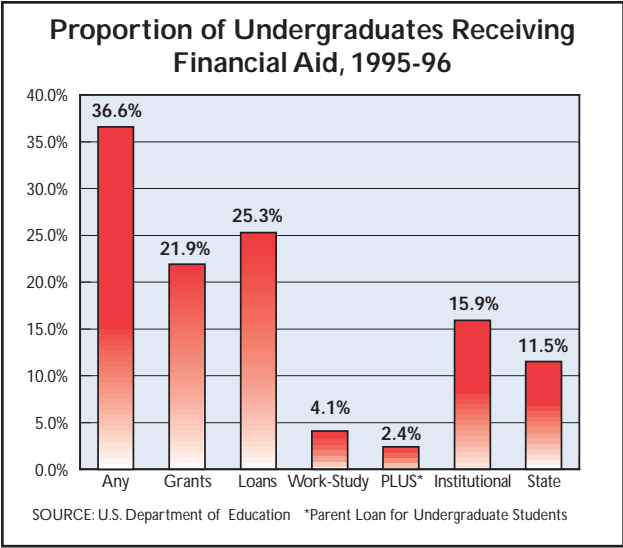


SOURCE: The College Board. Trends in Student Aid 1998

Figure 4

This figure shows how undergraduates get help to go to school.

*The best in private industry make things easy for their customers through technology.*



The best in private industry make things easy for their customers more and more through technology. Buy everything from socks to stocks right at home on the Internet. Do your banking anytime, night or day. Pay at the pump with a credit card, get a discount for debit or cash. Got a question, problem, or complaint for VISA? Call toll-free, any time, any day — question answered, problem solved, complaint recorded and fed into a system that improves quality.

That's what Americans know can be done. That's what they've come to expect, not only from private industry, but from government as well. That's the standard of customer service we have to meet.

### ◆ *Get the information out*

#### Status

Too many potential students don't know about the availability of financial aid or even where to get the information that might help them understand that financial aid is a real possibility for them. Many potential students are prevented from obtaining postsecondary education by several key myths. Figure five lists some of these key myths and the Office of Student Financial Assistance's (OSFA's) messages that counter these myths.

Myth	OSFA's Message
"I am not eligible for financial aid."	Financial assistance does not just mean grants; lots of aid is available in the form of subsidized/unsubsidized loans.
"I am going to be in debt for the rest of my life."	Loans represent educational investments that help people achieve higher lifetime earnings that, in turn, enable the student to pay back the debt expeditiously.
"Applying for aid is too complicated and too dangerous in terms of data security."	You can apply via the Internet using privacy measures that protect your information.
"I am not college material."	Postsecondary learning is more than just college; it includes skills training that is available at a wide variety of institutions.

## Actions

OSFA must be proactive in spreading these positive messages to potential students to better inform them of the reality of postsecondary learning and its financial circumstances. Information dissemination needs to begin at the middle and junior high school level as well as the high school level. More and more parents need and want financial aid information much earlier in order to plan and save for school. Parents believe that they should start saving as early as possible and begin to learn about the different financial aid programs no later than junior high school.

OSFA should take full advantage of the World Wide Web, linking our financial aid site to related sites other organizations have created. Several web sites have free financial planning software that students and parents can download and use to weigh the education cost and potential income of various career choices, and to understand financing and payback options (STU001, STU002, STU008, STU009, STU052).

But hoping people will find the information on the



Figure 5

Outreach efforts will help to shatter the myths about getting student aid.

Figure 6

OSFA wants to promote early awareness in students like seven-year old Emily Eckman from the Bronx.

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*“Young people need to be educated about career options and financial aid by the time they are juniors in high school.”*

*– Robert Gelfand  
task force member*

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Internet is not nearly enough. We need to use effective partnerships with organizations and groups — some that have never associated with OSFA or even the Department of Education (the Department or ED) — to help carry the message. OSFA should partner with local, state and federal agencies, non-profit, community, and national organizations to begin a teaching network of those who can help increase aid awareness (STU004). OSFA should sponsor an annual workshop to promote outreach partnership and activities such as application assistance (STU016). OSFA will partner with the financial aid community to organize a “speakers bureau” of financial aid professionals to speak at middle and high school events, PTA meetings, career days, and conferences. OSFA should also collaborate with organizations that deal with students with special needs (STU011, STU013, STU014). Federal programs like TRIO and GEAR-UP, as well as state agencies like the Pennsylvania Higher Education Assistance Agency (PHEAA), are already reaching out to make sure elementary and secondary school kids learn about post-secondary financial aid. OSFA will step-up our outreach efforts through these and other organizations (STU018).

Having a powerful message and useful information is only half the battle. OSFA must deliver these through non-traditional mechanisms that are effective in reaching potential students. Information on financial aid needs to be available at the places potential students typically gather. The message also needs to be delivered in the medium that best communicates with potential student populations, whether by television, sports figures, or rock stars. OSFA needs to partner with the various media organizations to target specific populations, as well as communicating a public service message that federal financial aid is available (STU005).

But the word has to be understandable, too. OSFA should use plain language in all of its new pamphlets and toll-free telephone information lines and test the publications and information for clarity and acceptance before distributing (STU007). And OSFA should tailor the information and the way it is distributed for particular customer segments, such as home-schooled, disabled, or individuals with limited English proficiency (STU010, STU012, STU015).

## PHEAA'S COMMUNITY OUTREACH ACTIVITIES

The six regional offices of the Pennsylvania Higher Education Assistance Agency (PHEAA) use a variety of activities and services to provide outreach to disadvantaged students:

- ◆ **Early Awareness Initiative** uses game-style software and activity brochures to teach middle school students and parents the value of postsecondary education and financing options.
- ◆ **Partners in Access to Higher Education Program** provides matching funds to non-profit community organizations that raise funds for mentoring services and need-based grants.
- ◆ PHEAA develops and distributes software for high school counselors to estimate financial aid eligibility, and distributes career guidance software to participating high schools.
- ◆ PHEAA holds training events every year, including workshops for new Financial Aid Administrators, technology training workshops, and support staff workshops.

## ◆ *Make Applying Easy*

### Status

Applying for aid is complicated and the applicant is kept in suspense about the status of his or her eligibility for financial aid. The *Free Application for Federal Student Aid* (FAFSA), which the vast majority still use, runs to eight pages and largely duplicates income tax form information. OSFA has an award-winning on-line application, FAFSA on the Web, that is easier to fill out and much cheaper to process. But some people have trouble getting access to it, and web applicants still have to mail paper with their pen-and-ink signatures. After the application comes in, weeks go by before we mail out an approval form called the *Student Aid Report* (SAR). And when the SAR does come in, many applicants don't understand what it says or what the next step in the financial aid process is for them. Also, if their application couldn't be processed due to errors, the correction process is often difficult and slow, and often holds up the financial aid award process.

Changing all of this is really just a matter of wanting to change. For example, the Small Business Administration reduced its two-inch thick loan application that took months to process, to a one-page form with a three-day turn around.

Figure 7

OSFA will use PHEAA's community outreach activities as a model.

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## Actions

OSFA should continue to make the application form plain and simple, and test it on students and parents to make sure that it's clear, easy to follow, and meets their needs (*STU024, STU029, STU030, STU032, STU033*). The OSFA toll-free help number on the application needs to be easy to find, with clear instructions on using the number (*STU031*). OSFA should make sure that help on filling out the application, whether it's the paper or electronic version, is easy to get. OSFA should organize "volunteers" to help people apply for aid and develop workshops for training "volunteers" on the application process (*STU017*). Make the electronic annual renewal application even simpler. We'll pre-fill the information and if your income information is still current, just sign on the line (*STU023*).

Getting more people to apply *electronically* is the key to big savings for OSFA — to the tune of two to three dollars per application. A greater number of U.S. households are getting personal computers. OSFA can leverage this trend by promoting electronic application. We recently removed one roadblock on the information highway by immediately accepting any new web browser.

Partner with colleges to build software that transfers admissions data into FAFSA on the Web the way Cal State and schools in New York are doing with commercial software (*STU021*). Issue PINs so applicants can securely read and correct their data on-line (*STU022*).

Applicants want to know when OSFA receives their financial aid applications and want to know when processing is complete. OSFA should notify all applicants of receipt of their applications and let applicants know the expected timeframe when processing will be completed (*STU025*). Once processing has been completed, OSFA

Figure 8

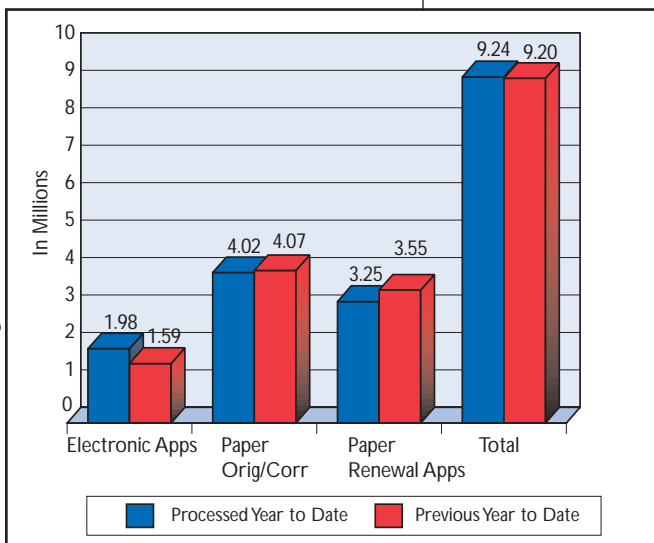
VA tests all new form letters with its customer veterans.

Testing new products can save a lot of trouble. The Department of Veterans Affairs tests all of its new form letters with veterans. One letter said the VA would be issuing a replacement check for a check that hadn't been cashed. Veterans said the first thing they'd do is call to find out when the check was coming, so, VA added a sentence saying when to expect the check and kept their phones from ringing off the hook.

should replace the SAR with a letter in plain language that either congratulates the applicant for successfully completing the application or provides clear instructions on how to correct any errors. The letter should clearly state whether the applicant has qualified for student financial aid and should include information on the next steps in the process (STU027, STU028). The letter should also reflect the information the student provided to ensure that it was correctly captured and reinforce the role of taxpayer dollars in student aid.

Figure 9

Electronic FAFSAs represent two percent of the total of all applications.



## ◆ Make Questioning and Complaining Easy

### Status

OSFA has a pretty good toll-free service for applicants: 1-800-4-FED-AID. But if you've set aside a Saturday morning to fill out the forms and you call for help finding your school's "Title IV institutional code," a pleasant, recorded voice tells you to call back Monday during business hours. If you have already sent in the forms and are wondering why you haven't heard anything, there's a toll number that on weekends, rings a while, then goes dead. And if you've been getting Direct Loans and FFEL loans, and want to find out what they all add up to, good luck. The same goes for people who've paid off their loans, but the system says they haven't. Where can they go to complain?

Everybody knows it's a different story with the best in business. If a drugstore clerk accidentally demagnetizes

Northeast	35.3%
Midwest	36.5%
South	33.4%
West	43.4%

Source: National Telecommunications and Information Administration

Figure 10

This figure represents the percent of U.S. households with a computer by region.

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*Top companies, ones that win the International Customer Service Association (ICSA) Award of Excellence, have enterprise-wide systems to capture customer complaints. They use the complaints to improve service, and they measure everyone's performance in handling complaints.*

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your credit card on a Sunday night, you can call as soon as you get home, talk to a live person who has immediate access to your account information and ships you a new card the next day. If you call in the middle of the night to dispute a billing error, they take care of that too, because the operators have all the information and authority they need to solve your problem. Most banks give you anytime access to all your accounts without an operator — on the phone, on line, or at the corner ATM. And, top companies, ones that win the International Customer Service Association (ICSA) Award of Excellence, have enterprise-wide systems to capture customer complaints. They use the complaints to improve service, and they measure everyone's performance in handling complaints.

### **Actions**

To equal the best industry standards, OSFA should establish one toll-free number for student customer service that is staffed with phone operators who have the latest technology and access to the information students may need in whatever format they may need (*STU036, STU037, STU038, STU039, EMP020, EMP021*). Like bank-by-phone service, this number will provide automated account access 24 hours a day, 7 days a week (*STU051*). Account access should also be available over the web, and the account should include all loans, FFEL or Direct as well as all of the necessary forms (*PAR038, PAR039*). Get “volunteers” from the community to help potential students apply for aid (*STU017, PAR040*). OSFA should develop other novel information services, such as an on-line chat room with financial aid experts to answer questions (*STU040*).

OSFA should institute a best in business approach to customer complaints, systematically collecting and using them to good advantage (*STU034, EMP032*). In addition, OSFA should conduct surveys and focus groups to gauge the services provided by OSFA and its partners, schools, and financial institutions (*STU041, SCH058, PAR006*).



## ◆ *Make Paying Easy*

### Status

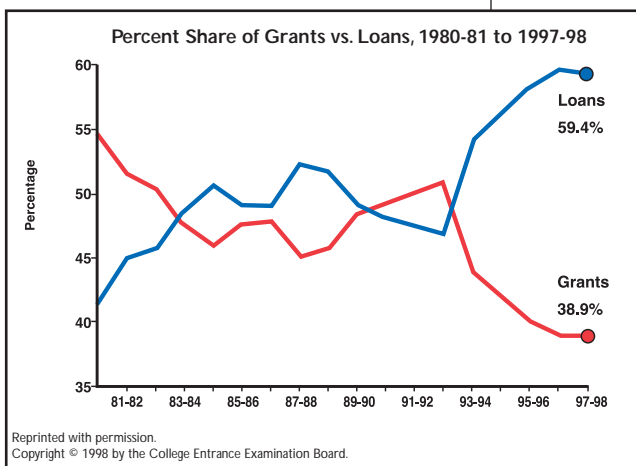
It's hard to pay off a debt when you're in way over your head. Many of our young, inexperienced borrowers find themselves in a hole when they graduate, trying to cover their loan payments on top of the cost of housing, a car, and everything else, with an entry level job. OSFA does some up-front loan counseling and offers flexible pay-back options that shift the heavier load to later in your career. But borrowers, especially those whose loans wound up in default, told the task force they wish they had had better advice and more information about how to take advantage of the various repayment options. In combination with a strong economy, and stronger participation requirements for schools, counseling and flexibility have helped OSFA bring default rates from over twenty-two percent, down into the single digits. Even more can be done.

### Actions

The best businesses know that electronic payments save them money and that automatic withdrawals are never late. They encourage their customers to

pay that way, sometimes with discounts. Although the Department intends to introduce an interest rate reduction later this year for borrowers who pay their loans electronically, student borrowers don't yet get the full range of electronic, automatic options, and incentives. So we have a perfect opportunity to make improvements in this area.

OSFA should provide better financial counseling (*STU045, STU053, PAR037*).



**Figure 11**

Loans have displaced grants as the primary source of federal student aid.